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6  
7  
8 **BEFORE THE**  
9 **CALIFORNIA BOARD OF ACCOUNTANCY**  
10 **DEPARTMENT OF CONSUMER AFFAIRS**  
**STATE OF CALIFORNIA**

11 In the Matter of the Accusation )  
Against: ) NO. AC-2003-8  
12 )  
Arthur Andersen LLP )  
13 ATTN: John O. Niemann, Jr. ) **ACCUSATION**  
633 West Fifth Street )  
14 Los Angeles, CA 90071 )  
15 License No. 21 )  
16 )  
Respondent. )  
17

18  
19  
20 **PARTIES**

21 Carol Sigmann, for causes for discipline, alleges:

22 1. Complainant Carol Sigmann, makes and files this  
23 Accusation in the official capacity as Executive Officer, of the  
24 California Board of Accountancy, Department of Consumer Affairs,  
25 ("Board").

26 2. On March 22, 1946 the Board issued License Number  
27 21 to Arthur Andersen LLP ("respondent"). The license was in

1 effect at all times relevant herein and was surrendered by  
2 respondent on July 31, 2002, without the consent of the Board,  
3 and will expire on March 31, 2004.

4  
5 **STATUTES**

6 3. Section 118, subdivision (b), of the Business and  
7 Professions Code (the "Code") provides, in pertinent part, that  
8 the expiration of a license or its surrender, without consent of  
9 the Board, shall not, during any period in which it may be  
10 renewed, restored, reissued or reinstated, deprive the Board of  
11 authority to institute or continue a disciplinary proceeding  
12 against the licensee or to enter an order suspending or revoking  
13 the license or otherwise taking disciplinary action against the  
14 licensee.

15 4. Section 5100 of the Code provides, in pertinent  
16 part, that after notice and hearing the Board may revoke, suspend  
17 or otherwise discipline a licensee for unprofessional conduct,  
18 which includes, but is not limited to:

19 (d) Cancellation, revocation or suspension of a  
20 certificate, or other authority to practice or any other  
21 discipline by any other state or foreign country.

22  
23 **CHARGES AND ALLEGATIONS**

24 5. Respondent is subject to discipline under Sections  
25 5100 and 5100(d) by reason of the following:

26 (a) Effective August 16, 2002, in proceedings  
27 before the Texas State Office of Administrative Hearings titled

1 "Texas State Board of Public Accountancy v. Arthur Andersen,  
2 L.L.P.," SOAH Docket No. 457-02-3095, Board File No. 01-11-08L, by  
3 agreed consent order, respondent's license to practice public  
4 accountancy within the State of Texas was revoked.

5 (b) The circumstances of the above entitled  
6 matter relate to respondent's conduct in connection with its  
7 Enron Corporation engagements and the related criminal proceeding  
8 against respondent resulting in a June 15, 2002, verdict of  
9 guilty against respondent for felony obstruction of justice in  
10 the United States District Court for the Southern District of  
11 Texas-Houston Division, Case NO. 02-CR-121-ALL (Criminal).

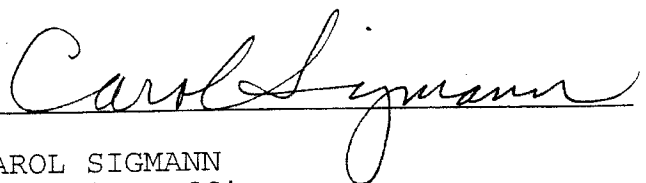
12  
13 **PRAYER**

14 WHEREFORE, complainant prays a hearing be held and that  
15 the Board of Accountancy make its order:

16 1. Revoking License No. 21 issued to Arthur Andersen  
17 LLP;

18 2. Taking such other and further action as may be  
19 deemed appropriate.

20 DATED: *August 16, 2002*

21  
22 

23 CAROL SIGMANN  
24 Executive Officer  
25 California Board of Accountancy  
26 Department of Consumer Affairs  
27 State of California

Complainant

1 BILL LOCKYER, Attorney General  
of the State of California  
2 MICHAEL R. GRANEN, State Bar No. 63350  
Deputy Attorney General  
3 SHAWN P. COOK, State Bar No. 117851  
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4 California Department of Justice  
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7 Attorneys for Complainant

8 **BEFORE THE**  
9 **CALIFORNIA BOARD OF ACCOUNTANCY**  
10 **DEPARTMENT OF CONSUMER AFFAIRS**  
11 **STATE OF CALIFORNIA**

12 In the Matter of the Accusation Against:

13 ARTHUR ANDERSEN, LLP  
Attn: John O. Nieman, Jr.  
14 633 West Fifth Street  
Los Angeles, CA 90071

15 License No. 21

16 Respondent.

Case No. AC-2003-8

OAH No.

**DEFAULT DECISION  
AND ORDER**

[Gov. Code, §11520]

17 **FINDINGS OF FACT**

18 1. On or about August 16, 2002, Complainant Carol Sigmann, in her official  
19 capacity as Executive Officer of the California Board of Accountancy, Department of Consumer  
20 Affairs, State of California, filed Accusation No. AC-2003-8 against Arthur Andersen, LLP  
21 (Respondent) before the California Board of Accountancy (Board).

22 2. On or about March 22, 1946, the California Board of Accountancy issued  
23 License No. 21 to Respondent. The License was in full force and effect at all times relevant to  
24 the charges brought herein, was surrendered without the consent of the Board, and will expire on  
25 March 31, 2004, unless renewed.

26 3. On or about August 19, 2002, Diane Calton, an employee of the  
27 Department of Justice, served by Certified Mail a copy of the Accusation No. AC-2003-8,  
28 Statement to Respondent, Notice of Defense, Request for Discovery, and Government Code

1 sections 11507.5, 11507.6, and 11507.7 to Respondent's address of record with the Board, which  
2 was and is Attn: John O. Nieman, Jr., 633 West Fifth Street, Los Angeles, CA 90071 (certified  
3 mail article number 7001 0360 0003 2719 1877) and to Larry J. Gorrell, Acting Administrator,  
4 Beatrix Bernauer, Arthur Andersen, LLP, 33 West Monroe Street, Chicago, Ill 60603-5385.  
5 (certified mail article number 7001 0360 0003 2719 1884.) A true and correct copy of the  
6 Accusation, the related documents, and Declaration of Service are attached as Exhibit A, and  
7 are incorporated herein by reference.

8 4. Service of the Accusation was effective as a matter of law under the  
9 provisions of Government Code section 11505, subdivision (c).

10 5. On or about August 21, 2002, the green "Domestic Return Receipt" for the  
11 certified mailing of article number 7001 0360 0003 2719 1877, addressed to Arthur Anderson,  
12 LLP, Attn: John O. Nieman, Jr., 633 West Fifth Street, Los Angeles, CA 90071, was returned by  
13 the U.S. Postal Service marked with a signature and indicated delivery date of 8/21/02. On or  
14 about August 23, 2002 the green "Domestic Return Receipt" for the certified mailing of article  
15 number 7001 0360 0003 2719 1884, addressed to Larry J. Gorrell, Acting Administrator,  
16 Beatrix Bernauer, Arthur Andersen, LLP, 33 West Monroe Street, Chicago, Ill 60603-5385, was  
17 returned by the U.S. Postal Service marked with the signature "Simpson" and indicated delivery  
18 date of 8/23/02. True and correct copies of both postal "Domestic Return Receipts" are attached  
19 hereto as Exhibit B, and are incorporated herein by reference.

20 6. By letter dated August 27, 2002, from Lynne M. Raimondo, counsel for  
21 Respondent, Respondent acknowledged receipt of the Accusation, expressed its intention not to  
22 appear to contest the Accusation, and consented to the Board revoking its California license. A  
23 copy of the letter is attached hereto as Exhibit C, and is incorporated herein by reference.

24 7. Government Code section 11506 states, in pertinent part:

25 "(c) The Respondent shall be entitled to a hearing on the merits if the Respondent  
26 files a notice of defense, and the notice shall be deemed a specific denial of all parts of the  
27 accusation not expressly admitted. Failure to file a notice of defense shall constitute a waiver of  
28 Respondent's right to a hearing, but the agency in its discretion may nevertheless grant a

1 hearing."

2 8. Respondent failed to file a Notice of Defense within 15 days after service  
3 upon them of the Accusation, and therefore waived their right to a hearing on the merits of  
4 Accusation No. AC-2003-8.

5 9. California Government Code section 11520 states, in pertinent part:

6 "(a) If the Respondent either fails to file a notice of defense or to appear at the  
7 hearing, the agency may take action based upon the Respondent's express admissions or  
8 upon other evidence and affidavits may be used as evidence without any notice to  
9 Respondent."

10 10. California Business and Professions Code Section 118, subdivision (b),  
11 provides that surrender of a license, without consent of the Board, shall not, during any period in  
12 which the license may be renewed, restored, reissued or reinstated, deprive the Board of authority  
13 to suspend or revoke or otherwise take disciplinary action against a licensee.

14 11. Pursuant to its authority under Government Code section 11520, the Board  
15 finds Respondent is in default. The Board will take action without further hearing based on  
16 Respondent's express admissions by way of default and the evidence before it contained in  
17 Exhibits A, B and C and finds that the allegations in Accusation No. AC-2003-8 are true.

18 12. Respondent has failed to file a notice of defense as prescribed by section  
19 11520 within the time required by law and has further stated that it has no intention of doing so  
20 and no objection to the Board entering a formal Order revoking its license.

21 DETERMINATION OF ISSUES

22 1. Based on the foregoing findings of fact, Respondent Arthur Andersen,  
23 LLP has subjected its License No. 21 to discipline.

24 2. A copy of the Accusation, Related Documents and Declaration of Service  
25 are attached.

26 3. The Board has jurisdiction to adjudicate this case by default.

27 4. The Board is authorized to revoke Respondent's License based upon the  
28 following violations alleged in the Accusation:

1 a. Respondent is subject to discipline under Sections 5100 and 5100(d)  
2 by reason of the following:

3 (1) Effective August 16, 2002, in proceedings before the Texas State  
4 Office of Administrative Hearings titled "Texas State Board of Public Accountancy v. Arthur  
5 Andersen, L.L.P.," SOAH Docket No. 457-02-3095, Board File No. 01-11-08L, by agreed  
6 consent order, Respondent's license to practice public accountancy within Texas was revoked.

7 (2) The circumstances of the above-entitled matter relate to Respondent's  
8 conduct in connection with its Enron Corporation engagements and the related criminal  
9 proceeding against Respondent resulting in a June 15, 2002, verdict of guilty against Respondent  
10 for felony obstruction of justice in the United States District Court for the Southern District of  
11 Texas-Houston Division, Case No. 02-CR-121-ALL (Criminal).

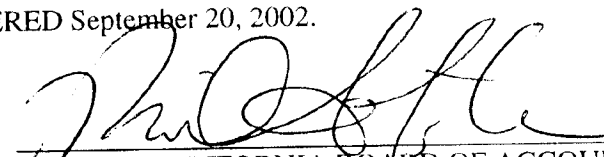
12 5. The Texas Board's decision and the conduct underlying that decision are  
13 grounds for discipline including revocation of Respondent's California License No. 21.

14 ORDER

15 IT IS SO ORDERED that License No. 21, heretofore issued to Respondent Arthur  
16 Andersen, LLP, is revoked.

17 This Decision shall become effective on September 23, 2002.

18 It is so ORDERED September 20, 2002.

19   
20 FOR THE CALIFORNIA BOARD OF ACCOUNTANCY  
21 DEPARTMENT OF CONSUMER AFFAIRS

22 Attachments:

23 Exhibit A: Accusation No.AC-2003-8, Related Documents, and Declaration of Service.

24 Exhibit B: Postal Domestic Return Receipts.

25 Exhibit C: Letter from Respondent to Complainant, dated August 27, 2002.

26 DOJ docket number:03541110-LA2002AD1816  
27 default decision.wpt 9/6/02